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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [EINV](#) [PREL](#) [NI](#)
SUBJECT: (C) NIGERIA: AMBASSADOR AND CBN GOVERNOR DISCUSS
ECONOMIC CLIMATE, YAR'ADUA'S LACK OF LEADERSHIP, AFRICA
FINANCIAL CORPORATION

REF: A. ABUJA 2123
[1](#)B. ABUJA 2146
[1](#)C. ABUJA 2141
[1](#)D. ABUJA 1735
[1](#)E. LAGOS 0315

Classified By: Ambassador Robin R. Sanders for reasons 1.4. (b & d).

[1](#)1. (S) Summary: Ambassador had the rare opportunity to have an hour long substantive luncheon with Nigeria's elusive Governor of the Central Bank (GCBN), Professor Charles Soludo, while she was in Lagos November 1, 2008. The key points Soludo made centered on Nigeria's financial stability and President Yar'Adua's leadership. On the financial situation the CBN Governor noted two factors: Nigeria had weathered the global financial crisis because he had maintained the policy of not letting foreign banks own Nigerian banks; and, because 18 months ago Nigeria's banking sector had gone through major overhauling, scrutiny and oversight, putting it in a better position than most countries that had not executed an in-depth review of their banking and attendant regulatory sectors in the last decade. On the political front, Ambassador took the opportunity to note USG concerns about the direction and leadership of Nigeria over the past 18 months highlighting that the country seemed adrift, seeking Soludo's views on this as well as soliciting information about the Africa Financial Corporation (AFC) investigation. (Soludo not only created the AFC, but also serves as Board Chairman). The CBN Governor, who is normally reticent in addition to being elusive, said that he was highly disappointed in the current leadership of Nigeria -- underscoring that not only was President Yar'Adua "slow," but that he did not seem to be able to manage the "political forces around him such as the Attorney General," who continually sought to under cut democratic principles. He did give Yar'Adua credit -- despite his lack of speed -- for trying to do the right thing and being seriously analytical about what he wanted for Nigeria. During this same session, Ambassador heard more comments from those around Soludo that President Yar'Adua's transplanted kidney is failing and that the First Lady and others in the Villa are trying to wait for the Supreme Court decision before taking him to Germany. The pending cabinet reshuffle also appears to be coming to fruition as the new ministerial list has been forwarded to the State Security Service (SSS) for vetting. End Summary

Nigeria's Banking Sector: Holding its Own

12. (C) Ambassador was invited to attend the November 1 private briefing for Nigerian journalists given by Nigeria's Central Bank Governor (GCBN) Professor Charles Soludo, on the state of Nigeria's banking sector. This was then followed by a private hour-long luncheon with the GCBN. During the GCBN briefing to Nigerian journalists, Soludo emphasized that Nigeria had been cushioned extensively from the global financial crisis because there were very few foreign banks operating in Nigeria (telling the Ambassador later at lunch that he saw Citibank being on the periphery of Nigeria's banking sector). He added that the country's banking sector not only was "sound but also that no banks were failing, or about to fail." Soludo underscored that the Nigerian banking sector had already gone through a revamping and overhauling 18 months ago with the bank consolidation. He did note, however, that there was one bank -- Springbank -- that had caused the CBN some concern, but that the CBN immediately had discussions with Springbank and things were now back on track. Nevertheless, Soludo added the CBN would continue to closely watch Springbank as well as all banks and other elements connected to the country's banking sector.

13. (C) Soludo then highlighted to journalists that he had wanted to have the briefing with them given the number of inaccurate press articles he had seen recently not only about Nigeria's banking sector, but also about the state of the Nigerian Stock Exchange (NSE), and the role of the CBN in general. He explained that the NSE was making a "correction," just as stock exchanges around the world had done, and that

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the CBN had no intention of overstepping its role by trying to pump up share prices, or purchasing banks. He highlighted for the gathered Nigerian journalists that the role of any Central Bank, such as Nigeria's, was to "preserve the Commonwealth, by ensuring not only that the country's currency was sound, but to also preserve the value of Nigeria's currency at home and abroad." Professor Soludo highlighted that it was key for the journalists to appreciate the role of the CBN, emphasizing that the positive outcome of the financial crisis was the "expansion and tightening" of the number of banking institutions now being regulated as well as "the increase in the number of institutions which now fall under a depositors, insurance framework, including in Nigeria".

14. (C) Soludo then provided a few additional facts regarding what he called "Nigeria's bankable public." The Governor stated that in the last three years the number of Nigerians who have moved into the formal "bankable" sector of the population had risen from 13 million to 27 million depositors. In response to a few questions from the floor, the GCBN said in wrapping up his briefing, that the global financial crisis had not yet turned into a "global currency crisis," hence Nigeria was still preserving most of its foreign reserves in U.S. dollars, adding that the crude oil budgetary benchmark was officially dropped from \$69 to \$45, which would naturally have an impact on the reserves going forward.

15. (C) Soludo commented that "about 80 percent" of Nigeria's roughly \$60 billion in foreign reserves are being maintained at the Bank for International Settlements (BIS) in Switzerland, while others like J.P. Morgan, Deutsche Bank and Bank of England are managing from \$9-10 billion or more of Nigeria's foreign reserves. The Governor explained that the BIS managed the largest share of the reserves as a holdover from lingering fears from the Abacha years in order to protect it against any litigation that could arise (Note: Abacha was the military dictator who brutally ruled Nigeria from 1993 to 1998, until his death under mysterious circumstances). On the postponement on the common year accounting rule that the CBN was to put in place this year requiring all banks to adopt the same fiscal year, Soludo

explained that he canceled the policy because "people attributed the downturn in the NSE to the common year accounting policy," noting he wanted to "prove that one thing had nothing to do with the other."

Political Points: Yar'Adua Leadership, and the AFC

¶6. (S) Following his briefing for Nigerian journalists, Ambassador had an hour long luncheon with the CBN Governor, which mostly focused on key political points and the current tenuous political atmosphere in Nigeria. Ambassador began the luncheon by noting the USG concern with the lack of direction in Nigeria and the seeming disorganization in the government. She also asked him about his relationship with President Yar'Adua, the Africa Financial Corporation (AFC) investigation, and whether he would stay on as CBN Governor when his term ends in May 2009. (Note: The AFC was the brainchild of Soludo created as an alternative to the African Development Bank, but with the goal of focusing on investment in West Africa. Soludo is the AFC's Board Chairman.)

¶7. (S) Soludo began by stating that he could "understand why the U.S. or any other country would be concerned about Nigeria, as he too was very disappointed in the lack of direction of his country, and slowness and lack of leadership shown by President Yar'Adua." He added that in his view there were anti-democratic forces who wanted to maintain their power and influence on government, and could and do influence Yar'Adua by giving him bad advice. The Governor said he thought Yar'Adua tried to do the right thing and had the country's best interest at heart, but that "he was too slow, and was too trusting of those around him". Soludo pointed the finger at Nigeria's Attorney General (AG) Michael Aondoakaa as the "worst" person in the cabinet who was the

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main culprit of misdeeds in the Yar'Adua administration.

¶8. (S) He then turned to connect this viewpoint to the AFC investigation, emphasizing that the entire thing was an effort by the AG to ensure that a northerner, someone he could control, be appointed as CBN Governor. Soludo said that the AG was not able to control the CBN, and wanted Soludo out in order to put someone in place that he not only could manipulate, but would also allow him to use the CBN as his personal bank. In the end, the GCBN said there was no wrong doing found and that the USD480 million that was placed in escrow during the investigation was in the processes of being reinvested in the international financial sector. The Professor added that he was a well-respected economist and could easily return to his previous, more lucrative, life in the private sector as a renowned consultant. Therefore why would he risk his reputation on anything like embezzling or misusing funds from the AFC, which was what the AG was accusing him of doing. (Note: The AG is known to try to steal anything that is not tied down, and there seems to be no end to his desire to amass personal wealth through illicit enrichment.)

¶9. (S) The GCBN said that after the AFC investigation ended he went to see Yar'Adua. He claimed that he told the President that he was prepared to step down at anytime when he was no longer trusted to do his job in the best interest of the country. Soludo said that Yar'Adua noted the mistakes that had been made, underscoring that the GCBN had done a good job to date, and that he wanted him to remain. Ambassador then asked whether Soludo would stay on if asked to do so after the end of his term in May 2009. Soludo was pensive before answering. He commented that Nigeria is a "special country" when it comes to things like this. "Even if I did not want to stay on, but was asked to do so," Soludo said, "I would really have no choice. When one is offered something in government and it is turned down, it is viewed as unpatriotic and then the entire society makes you pay for

it and people can become quite vicious," he summed up. In closing, he said he had just had a conversation with his family in London about this very issue, and that they all were nervous for him, if in the end, he decided not to accept an offer to stay on as GCBN pass his five year term. Soludo left the lunch on his way to the airport as he said he was going to look at the financial systems in Dubai and Singapore for ideas on best practices for Nigeria.

Comment

¶10. (S) It was a rare occasion for the GCBN to be that frank and open. He is usually extremely cautious and reticent, and very seldom provides his views on the politics of Nigeria or other members of the cabinet. It was also clear that he was very concerned about the short and medium term future of the Yar'Adua administration, and was disappointed in the President's leadership style and the direction of the country. He was not optimistic that the political atmosphere would change unless Yar'Adua made some real changes concerning the people around him such as the AG.

¶11. (S) There were others close to Soludo right after the lunch that noted -- in an almost casual manner -- that Yar'Adua transplanted kidney was failing and that other alternatives were underway such as testing whether Agricultural Minister Ruma's brother, Jahana, would be a match for Yar'Adua as Ruma himself had been. We have heard a lot about the possibility that Yar'Adua has lung cancer. However, we also noted in ref C that others in the diplomatic corps, such as the well connected Portuguese Ambassador who has been in Nigeria for six years, have raised the notion that the President's transplanted kidney is failing, causing his current health crisis. We will continue to follow this issue. In addition, the pending cabinet reshuffle appears to be coming to fruition. Yar'Adua has finally sent his new ministerial list to the Nigerian State Security Service (SSS) to ensure that his new crop of ministers have no embarrassing skeletons in their closets. End Comment.

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Sanders